

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: EQUITABLE RESOURCES EXPLORATION) VIRGINIA GAS
 A Division of Equitable Resources) AND OIL BOARD
 Energy Company, a West Virginia)
 Corporation)

RELIEF SOUGHT: POOLING OF INTERESTS IN A DRILLING) DOCKET NO.
 UNIT LOCATED IN THE NORA COAL) 96-0220-0534
 BED GAS FIELD DESCRIBED IN EXHIBIT)
 A HERETO AND SERVED BY WELL NO.)
 VC-3561 (herein "Subject Drilling)
 Unit") PURSUANT TO VA. CODE ANN.)
 §§ 45.1-361.21 AND 45.1-361.22,)
 FOR THE PRODUCTION OF OCCLUDED)
 NATURAL GAS PRODUCED FROM COALBEDS)
 AND ROCK STRATA ASSOCIATED)
 THEREWITH (herein "Coalbed Methane)
 Gas" or "Gas"))

LEGAL DESCRIPTION:

SUBJECT DRILLING UNIT SERVED BY WELL NUMBERED)
 VC-3561 (herein "Well") TO BE DRILLED IN)
 THE LOCATION DEPICTED ON EXHIBIT A HERETO,)
 E. S. COUNTS 261.48 ACRE TRACT,)
 CLINCHFIELD COAL COMPANY, ET AL, T-261)
 NORA, VA. QUADRANGLE, ERVINTON MAGISTERIAL)
 DISTRICT, DICKENSON COUNTY, VIRGINIA)
 (the "Subject Lands" are more)
 particularly described on Exhibit)
 "A", attached hereto and made a)
 part hereof))

REPORT OF THE BOARDFINDINGS AND ORDER

1. Hearing Date and Place: This matter initially came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on February 20, 1996, when it was continued and then heard on March 19, 1996, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: James E. Kaiser of Hunter, Smith & Davis, appeared for the Applicant; written objections were filed by Terry D. Ball and Viola M. Wright; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code Ann. §§ 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner and/or potential owner, i.e., person identified by Applicant as having ("owner") or claiming ("claimant") the rights to Coalbed Methane Gas in all Pennsylvania-aged coals from the top of the Raven, including all splits, to the top of the green and red shales, including, but not limited to Raven, Jawbone, Upper Horsepen, Middle Horsepen, War Creek, Beckley, Lower Horsepen, Pocahontas No. 8, and Pocahontas No. 1, and any other unnamed coal seams, coalbeds and rock strata associated therewith (hereafter "Subject

Formations") in the Subject Drilling Unit underlying and comprised of Subject Lands; (2) has given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.22, to notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by Applicant as persons who may be Owners or Claimants of Coalbed Methane Gas interests in Subject Formations in the Subject Drilling Unit, underlying and comprised of Subject Lands. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. § 45.1-361.19.B. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: Exhibits A and B. The proposed well depth was reduced to 1,880 feet and the Pocahontas No. 4 and Pocahontas No. 3 seams were deleted from the Subject Formations.

5. Dismissals: None.

6. Relief Requested: Applicant requests that pursuant to Va. Code Ann. § 45.1-361.22, including the applicable portions of § 45.1-361.21, the Board pool the rights, interests and estates in and to the Gas in the Subject Drilling Unit, including those of the known and unknown persons named in Exhibit B hereto and that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas produced from the Subject Drilling Unit established for the Subject Formations underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"); and, (3) that the Board designate Equitable Resources Energy Company as the Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted and: (1) pursuant to Va. Code Ann. § 45.1-361.21.C.3, Equitable Resources Energy Company (hereafter "Unit Operator") is designated as the Operator authorized to drill and operate the Well in Subject Drilling Unit, subject to the permit provisions contained in Va. Code Ann. §§ 45.1-361.27, et seq.; to §§ 480-05-22.1 et seq., Gas and Oil Regulations; to §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations; and to the Oil and Gas Conservation Board's Order entered March 20, 1989, establishing Drilling Units for the Nora Coal Bed Gas Field; all as amended from time to time; and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including those of the known and unknown persons listed on Exhibit B, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, leased or unleased, be and hereby are pooled in the Subject Formations in the Subject Drilling Unit underlying and comprised of the Subject Lands.

| <u>Subject Formation</u> | <u>Unit Size</u> | <u>Permitted Well Location</u> | <u>Field and Well Classification</u> | <u>Order Number</u> |
|--|---------------------------|--|--------------------------------------|--|
| All Pennsylvanian aged coals from the top of Raven, including all splits, to top of the red and green shales, including, but not limited to Raven, Jawbone, Upper Horsepen, Middle Horsepen, War Creek, Beckley, Lower Horsepen, Pocahontas No. 8, Pocahontas No. 1, and any other unnamed coal seams, coalbeds, and rock strata, associated therewith | Approximately 58.77-acres | Well VC-3561 to be located as depicted on Exhibit A Depth: 1,880 feet | Nora Coal Bed Gas Field | OGCB Order #9 dated March 2, 1989 establishing Drilling Unit for the Nora Coal Bed Gas Field |

For the Subject Drilling Unit
underlying and comprised of the Subject
Land Served by Well No. VC-3561

Dickenson County, Virginia

8. Election and Election Period: In the event any Gas Owner or Claimant named in Exhibit B has not reached a voluntary agreement to share in the operation of the well to be located in Subject Drilling Unit at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Operator, then such person may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 herein to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed his written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

- 9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in Exhibit B who has not reached a voluntary agreement with the Operator may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit,

as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Estimated, Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Completed-for-Production Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs (Multiple Completion):

\$173,000.00

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operator's Interest Within Unit as set forth in the third column Exhibit B times the Completed-for-Production Costs set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Estimated, Completed-for-Production Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in Exhibit B hereto who has not reached a voluntary agreement with the Unit Operator may elect to accept a cash bonus consideration of \$5.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Gas produced from any well development covered by this Order multiplied by that person's Interest Within Unit as set forth in the third column of Exhibit B (for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person

in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any gas Owner or Claimant named in Exhibit B who has not reached a voluntary agreement with the Unit Operator may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

The election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign his right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which his interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event any Gas Owner or Claimant named in Exhibit B hereto has not reached a voluntary agreement with the Unit Operator and fails to elect within the time, in the manner, and in accordance with the terms of this Order one of the alternatives set forth in Paragraph 9 above for which his interest qualifies, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to any final legal determination of ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which its interest qualifies, and shall be deemed to have leased and/or assigned his right, interests, and claims in and to said Gas produced from Subject Formation in Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full

for the right, interests, and claims of such person in and to the Gas produced from Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event a person named in Exhibit B elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Estimated, Completed-for-Production costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any 1/8th royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person named in Exhibit B is unable to reach a voluntary agreement to share in the operation of the well contemplated by this Order at a rate of payment agreed to mutually by said Gas Owner or Claimant and the Operator, and said person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the well in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto Unit Operator such person's right, interests, and claims in and to said well, in Subject Formations in Subject Drilling Unit, and other share in and to Gas production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said elections.

13. Unit Operator (or Operator): Equitable Resources Exploration be and hereby is designated as Unit Operator authorized to drill and operate Well No. VC-3561 in Subject Formations in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code Ann. §§ 45.1-361.27 et seq.; §§ 480-05-22.1 et seq., Gas and Oil Regulations; §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations; and the Virginia Oil and Gas Conservation Board Order entered March 20, 1989, establishing drilling units for the Nora Coal Bed Gas Field; all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

Equitable Resources Energy Company
Eastern Region
P. O. Box 1983
1989 East Stone Drive
Kingsport, TN 37662-1983
Phone: (423) 224-3800
Fax: (423) 224-3891
Attn: Dennis R. Baker, Regulatory

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of any well covered hereby within three hundred and sixty-five (365) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which any well covered by

this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the Petition for Appeal and the final Order of the Circuit Court shall be excluded in calculating the one year period referenced herein.

Upon completion of any well whose costs comprise part of the Estimated Completed-for-Production Costs set forth in Paragraph 9.1, and within ninety (90) days after production into the pipeline is obtained and restoration of the location is completed, the Operator shall file with the Board a revised exhibit reflecting the actual Completed-for-Production Costs for the Subject Drilling Unit.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are a charge against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

16.1 Escrow Account: By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account, (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank
Trust Department
c/o Premier Bankshares Corporation
29 College Drive, P. O. Box 1199
Bluefield, VA 24605-1199
Telephone: (540) 322-2242
Fax: (540) 322-2766

16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and shall, pursuant to Va. Code Ann. § 45.1-361.21.D, said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with Va. Code Ann. § 45.1-361.21.D.

16.2. Escrow Provisions for Conflicting Claimants: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Va. Code Ann. §§ 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account, commencing

within sixty (60) days of the recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of each month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.

17. Special Findings: The Board specifically and specially finds:
 - 17.1 Applicant is a division of Equitable Resources Energy Company, a West Virginia corporation, duly authorized and qualified to transact business in the Commonwealth of Virginia;
 - 17.2 Applicant claims ownership of oil and gas and coalbed methane gas leasehold estates representing 92.00 percent of the Gas estate, and 92.00 percent of the coal estate for the acreage underlying the Subject Drilling Unit.
 - 17.3 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
 - 17.4 Applicant has proposed the drilling of one (1) well, Well No. VC-3561, to a depth of 1,880 feet on the Subject Drilling Unit to develop the Gas in Subject Formations.
 - 17.5 Respondents are listed on Exhibit "B". Set forth in Exhibit B is the name and last known address of each person identified by the Applicant as having or claiming an interest in the Coalbed Methane Gas in the Subject Drilling Unit underlying and comprised of Subject Lands, including those Gas Owners or Claimants who have not in writing, leased to the Applicant or agreed to voluntarily pool their Gas interest in Subject Drilling Unit for its development. The Gas Owners or Claimants who have not reached a voluntary agreement to share in the operation of the well represent 8.00 percent of the Gas estate and 8.00 percent of the coal estate in Subject Drilling Unit.
 - 17.6 The estimated production over the life of the proposed well is 450 million cubic feet.
 - 17.7 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in paragraph 9 above.
 - 17.8 No Application for a Well Work Permit had been received by the Department of Mines, Minerals and Energy for Well VC-3561 at the time of the hearing of the application herein.
 - 17.9 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person in the Subject Drilling Unit the opportunity to recover or receive, without unnecessary expense, each person's just and fair share of the production of the Gas from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of Gas, prevent or assist in preventing the various types of waste prohibited by statute, and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.

18. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

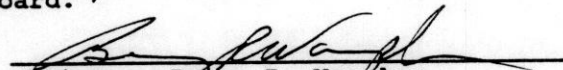
19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.


21. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq.

22. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 15th day of April, 1996, by a majority of the Virginia Gas and Oil Board.


Chairman, Benny R. Wampler

DONE AND PERFORMED this 15th day of April, 1996, by Order of this Board.


Byron Thomas Fulmer
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

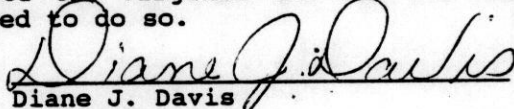
Acknowledged on this 15th day of April, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/98

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 15th day of April, 1996,
personally before me a notary public in and for the Commonwealth of Virginia,
appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is
Principal Executive to the Staff of the Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires 9/30/97

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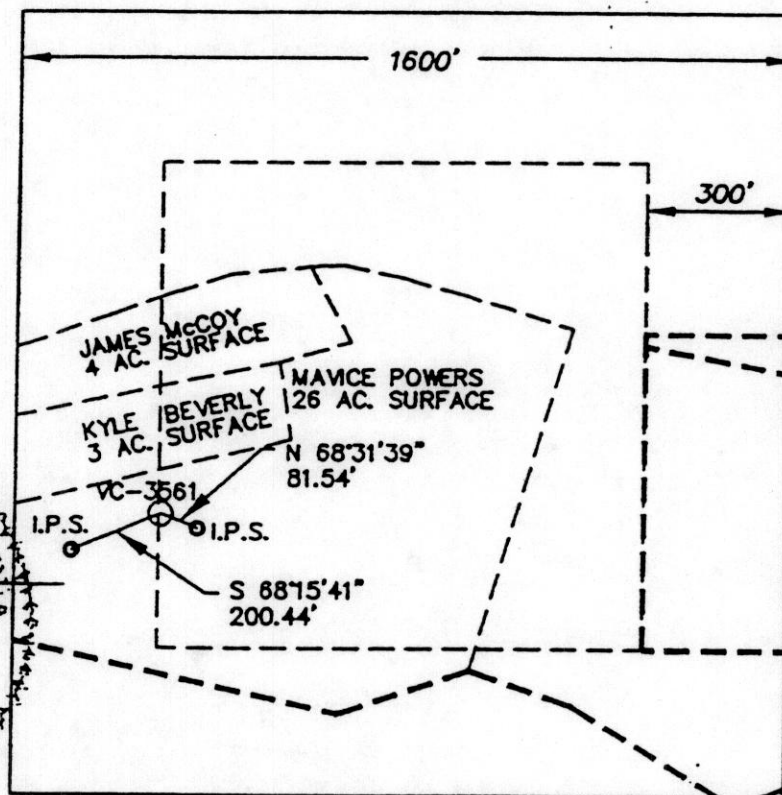
Latitude 37°07'30"

Longitude 82°17'30"

EREX LEASE PO-148
TRACT T-261
E.S. COUNTS
CLINCHFIELD COAL COMPANY/
PYXIS RESOURCES COMPANY
COAL
PINE MOUNTAIN OIL AND GAS
OIL AND GAS
1500.00 ACRES
CBM 47.53 ACRES 81%

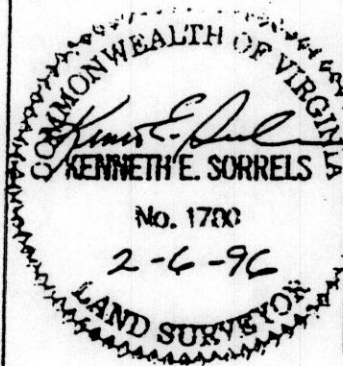
Tract #1

NOTE:
SURFACE LINE INFORMATION PROVIDED
BY EQUITABLE RESOURCES EXPLORATION



Tract #4
NORA COUNTS
SURFACE, COAL, OIL, & GAS
UNLEASED
1.26 ACRES
CBM 0.37 ACRES 1%

Tract #3
TERRY BALL &
VIOLA M. WRIGHT
SURFACE, COAL, OIL, & GAS
UNLEASED
8.74 ACRES
CBM 4.07 ACRES 7%



EREX LEASE PO-314
REBA COUNTS, ETAL
SURFACE, COAL, OIL, & GAS
183.00 ACRES
CBM 6.80 ACRES 11%

Tract #2

--- NON-SURVEYED SURFACE LINE
--- NON-SURVEYED MINERAL LINE

Well elevation determined by trigonometric levels
from Well VC-3313

Area of Unit = 58.77 Ac.

WELL COORDINATES:
VA. ST. PLANE S. ZONE NAD 27
(CALCULATED FROM NAD 83 (1994)
BY ACE PROGRAM CORPSCON)
N 306,354.79 E 894,522.35
Well Coordinates: (Cinchfield Coal Co.)
N 5039.92 E 26605.64

WELL LOCATION PLAT

COMPANY: Equitable Resources Exploration WELL NAME AND NO: VC-3561
TRACT NO: T-261 ELEVATION: 1900.60 QUADRANGLE: NORA, VA
COUNTY: DICKENSON DISTRICT: ERVINTON SCALE: 1"=400' DATE: 1/31/96

This plat is a new plat; an updated plat X; or a final location plat

+ Denotes the location of a well on United States Topographic Maps, Scale 1:24000, latitude and longitude lines being represented by border lines as shown.

Kenneth E. Sorrels
Licensed Professional Engineer or Licensed Land Surveyor

EXHIBIT "B"
VC-3561
Revised 2/26/96
VGOB 96/02/20-0534

BOOK 317 PAGE 063

| <u>TRACT</u> | <u>LESSOR</u> | <u>LEASE STATUS</u> | <u>INTEREST WITHIN UNIT</u> | <u>GROSS ACREAGE IN UNIT</u> |
|------------------------|---|--|-----------------------------|------------------------------|
| <u>Gas Estate Only</u> | | | | |
| 1 | Pine Mountain Oil & Gas Company Attn: Richard Brillhart P. O. Box 5100 Lebanon, VA 24266 | Leased - EREX 241490L (PO-148) T-261 | 81.000000% | 47.5300 |
| 2 | Reba Emily Counts, widow 280 Fairway Drive Abingdon, VA 24210 | Leased - EREX 241577L01 | 5.500000% | 3.4000 |
| | Caroline Counts Sharpe 7933 Harper Road Hixon, TN 37343 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| | E. Martin Counts, Jr. 119 South Germantown Road Chantano, TN 37411 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| 3 | Terry D. Ball and Lisa K. Ball, H/W P. O. Box 790 Haysi, VA 24256 | Unleased | 3.500000% | 2.0350 |
| | Viola Wright, widow Star Route Dante, VA 24237 | Unleased | 3.500000% | 2.0350 |
| 4 | Nora Counts, widow HC 67, Box 354 Dante, VA 24237 | Unleased Life Estate | 0.000000% | 0.0000 |
| | Susie Deel and Carter Deel, W/H HC 67, Box 354 Dante, VA 24237 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Retha Grizzle and Lee Grizzle, W/H Rt. 2, Box 559 Haysi, VA 24256 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Percentage of Unit Leased | | 92.000000% | |
| | Percentage of Unit Unleased | | 8.000000% | |
| | Acreage in Unit Leased | | | 54.3300 |
| | Acreage in Unit Unleased | | | 4.4400 |

EXHIBIT "B"

VC-3561

Revised 2/26/96

VGOB 96/02/20-0534

BOOK 317 PAGE 064

| TRACT | LESSOR | LEASE STATUS | INTEREST WITHIN UNIT | GROSS ACREAGE IN UNIT |
|-----------------------------|---|--|----------------------------|-----------------------------|
| <u>Coal Estate Only</u> | | | | |
| 1 | Clinchfield Coal Company Attn: Steve Smith P. O. Box 7 Dante, VA 24237 | Leased - EREX 241490L (PO-148) T-261 | 81.000000% | 47.5300 |
| 2 | Reba Emily Counts, widow 280 Fairway Drive Abingdon, VA 24210 | Leased - EREX 241577L01 | 5.500000% | 3.4000 |
| | Caroline Counts Sharpe 7933 Harper Road Hixon, TN 37343 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| | E. Martin Counts, Jr. 119 South Germantown Road Chantano, TN 37411 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| 3 | Terry D. Ball and Lisa K. Ball, H/W P. O. Box 790 Haysi, VA 24256 | Unleased | 3.500000% | 2.0350 |
| | Viola Wright, widow Star Route Dante, VA 24237 | Unleased | 3.500000% | 2.0350 |
| 4 | Nora Counts, widow HC 67, Box 354 Dante, VA 24237 | Unleased Life Estate | 0.000000% | 0.0000 |
| | Susie Deel and Carter Deel, W/H HC 67, Box 354 Dante, VA 24237 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Retha Grizzle and Lee Grizzle, W/H Rt. 2, Box 559 Haysi, VA 24256 | Unleased Remainderman | 0.500000% | 0.1850 |
| Percentage of Unit Leased | | | 92.000000% | |
| Percentage of Unit Unleased | | | 8.000000% | |
| Acreage in Unit Leased | | | | 54.3300 |
| Acreage in Unit Unleased | | | | 4.4400 |

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY *May 7* 1996. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at *11:30* o'clock *P.*M., after payment of \$ tax imposed by Sec. 58.1-802.

Original returned this date to:

*Diane Davis*TESTE: JOE TATE, CLERK
BY: *Linda King* D. CLERK

EXHIBIT "B"**VC-3561**

Revised 2/26/96

VGOB 96/02/20-0534**BOOK 317 PAGE 064**

| TRACT | LESSOR | LEASE STATUS | INTEREST WITHIN UNIT | GROSS ACREAGE IN UNIT |
|------------------------------------|---|--|-------------------------------------|--------------------------------------|
| <u>Coal Estate Only</u> | | | | |
| 1 | Clinchfield Coal Company Attn: Steve Smith P. O. Box 7 Dante, VA 24237 | Leased - EREX 241490L (PO-148) T-261 | 81.000000% | 47.5300 |
| 2 | Reba Emily Counts, widow 280 Fairway Drive Abingdon, VA 24210 | Leased - EREX 241577L01 | 5.500000% | 3.4000 |
| | Caroline Counts Sharpe 7933 Harper Road Hixon, TN 37343 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| | E. Martin Counts, Jr. 119 South Germantown Road Chantano, TN 37411 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| 3 | Terry D. Ball and Lisa K. Ball, H/W P. O. Box 790 Haysi, VA 24256 | Unleased | 3.500000% | 2.0350 |
| | Viola Wright, widow Star Route Dante, VA 24237 | Unleased | 3.500000% | 2.0350 |
| 4 | Nora Counts, widow HC 67, Box 354 Dante, VA 24237 | Unleased Life Estate | 0.000000% | 0.0000 |
| | Susie Deel and Carter Deel, W/H HC 67, Box 354 Dante, VA 24237 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Retha Grizzle and Lee Grizzle, W/H Rt. 2, Box 559 Haysi, VA 24256 | Unleased Remainderman | 0.500000% | 0.1850 |
| Percentage of Unit Leased | | | 92.000000% | |
| Percentage of Unit Unleased | | | 8.000000% | |
| Acreage in Unit Leased | | | | 54.3300 |
| Acreage in Unit Unleased | | | | 4.4400 |

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY May 7, 1996. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 11:30 o'clock P.M., after payment of \$ tax imposed by Sec. 58.1-802.

Original returned this date to:

Diane Davis

TESTE: JOE TATE, CLERK
BY: *Lula King* D. CLERK

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

| | | | |
|----------------|------------------------------------|---|---------------|
| APPLICANT: | EQUITABLE RESOURCES EXPLORATION |) | VIRGINIA GAS |
| | A Division of Equitable Resources |) | AND OIL BOARD |
| | Energy Company, a West Virginia |) | |
| | Corporation |) | |
| RELIEF SOUGHT: | POOLING OF INTERESTS IN A DRILLING |) | DOCKET NO. |
| | UNIT LOCATED IN THE NORA COAL |) | 96-0220-0534 |
| | BED GAS FIELD DESCRIBED IN EXHIBIT |) | |
| | A HERETO AND SERVED BY WELL NO. |) | |
| | VC-3561 (herein "Subject Drilling |) | |
| | Unit") PURSUANT TO VA. CODE ANN. |) | |
| | §§ 45.1-361.21 AND 45.1-361.22, |) | |
| | FOR THE PRODUCTION OF OCCLUDED |) | |
| | NATURAL GAS PRODUCED FROM COALBEDS |) | |
| | AND ROCK STRATA ASSOCIATED |) | |
| | THEREWITH (herein "Coalbed Methane |) | |
| | Gas" or "Gas") |) | |

LEGAL DESCRIPTION:

SUBJECT DRILLING UNIT SERVED BY WELL NUMBERED VC-3561 (herein "Well") TO BE DRILLED IN THE LOCATION DEPICTED ON EXHIBIT A HERETO, E. S. COUNTS 261.48 ACRE TRACT, CLINCHFIELD COAL COMPANY, ET AL, T-261 NORA, VA. QUADRANGLE, ERVINTON MAGISTERIAL DISTRICT, DICKENSON COUNTY, VIRGINIA (the "Subject Lands" are more particularly described on Exhibit "A", attached hereto and made a part hereof)

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter initially came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on February 20, 1996, when it was continued and then heard on March 19, 1996, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.
2. Appearances: James E. Kaiser of Hunter, Smith & Davis, appeared for the Applicant; written objections were filed by Terry D. Ball and Viola M. Wright; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. Jurisdiction and Notice: Pursuant to Va. Code Ann. §§ 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner and/or potential owner, i.e., person identified by Applicant as having ("owner") or claiming ("claimant") the rights to Coalbed Methane Gas in all Pennsylvania-aged coals from the top of the Raven, including all splits, to the top of the green and red shales, including, but not limited to Raven, Jawbone, Upper Horsepen, Middle Horsepen, War Creek, Beckley, Lower Horsepen, Pocahontas No. 8, and Pocahontas No. 1, and any other unnamed coal seams, coalbeds and rock strata associated therewith (hereafter "Subject

Formations") in the Subject Drilling Unit underlying and comprised of Subject Lands; (2) has given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.22, to notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by Applicant as persons who may be Owners or Claimants of Coalbed Methane Gas interests in Subject Formations in the Subject Drilling Unit, underlying and comprised of Subject Lands. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. § 45.1-361.19.B. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: Exhibits A and B. The proposed well depth was reduced to 1,880 feet and the Pocahontas No. 4 and Pocahontas No. 3 seams were deleted from the Subject Formations.

5. Dismissals: None.

6. Relief Requested: Applicant requests that pursuant to Va. Code Ann. § 45.1-361.22, including the applicable portions of § 45.1-361.21, the Board pool the rights, interests and estates in and to the Gas in the Subject Drilling Unit, including those of the known and unknown persons named in Exhibit B hereto and that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas produced from the Subject Drilling Unit established for the Subject Formations underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"); and, (3) that the Board designate Equitable Resources Energy Company as the Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted and: (1) pursuant to Va. Code Ann. § 45.1-361.21.C.3, Equitable Resources Energy Company (hereafter "Unit Operator") is designated as the Operator authorized to drill and operate the Well in Subject Drilling Unit, subject to the permit provisions contained in Va. Code Ann. §§ 45.1-361.27, et seq.; to §§ 480-05-22.1 et seq., Gas and Oil Regulations; to §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations; and to the Oil and Gas Conservation Board's Order entered March 20, 1989, establishing Drilling Units for the Nora Coal Bed Gas Field; all as amended from time to time; and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including those of the known and unknown persons listed on Exhibit B, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, leased or unleased, be and hereby are pooled in the Subject Formations in the Subject Drilling Unit underlying and comprised of the Subject Lands.

| <u>Subject Formation</u> | <u>Unit Size</u> | <u>Permitted Well Location</u> | <u>Field and Well Classification</u> | <u>Order Number</u> |
|--|---------------------------|--|--------------------------------------|--|
| All Pennsylvanian aged coals from the top of Raven, including all splits, to top of the red and green shales, including, but not limited to Raven, Jawbone, Upper Horsepen, Middle Horsepen, War Creek, Beckley, Lower Horsepen, Pocahontas No. 8, Pocahontas No. 1, and any other unnamed coal seams, coalbeds, and rock strata, associated therewith | Approximately 58.77-acres | Well VC-3561 to be located as depicted on Exhibit A Depth: 1,880 feet | Nora Coal Bed Gas Field | OGCB Order #9 dated March 2, 1989 establishing Drilling Unit for the Nora Coal Bed Gas Field |

For the Subject Drilling Unit
underlying and comprised of the Subject
Land Served by Well No. VC-3561

Dickenson County, Virginia

8. Election and Election Period: In the event any Gas Owner or Claimant named in Exhibit B has not reached a voluntary agreement to share in the operation of the well to be located in Subject Drilling Unit at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Operator, then such person may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 herein to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed his written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

- 9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in Exhibit B who has not reached a voluntary agreement with the Operator may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit,

as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Estimated, Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Completed-for-Production Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs (Multiple Completion):

\$173,000.00

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operator's Interest Within Unit as set forth in the third column Exhibit B times the Completed-for-Production Costs set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Estimated, Completed-for-Production Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in Exhibit B hereto who has not reached a voluntary agreement with the Unit Operator may elect to accept a cash bonus consideration of \$5.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Gas produced from any well development covered by this Order multiplied by that person's Interest Within Unit as set forth in the third column of Exhibit B (for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person

in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any gas Owner or Claimant named in Exhibit B who has not reached a voluntary agreement with the Unit Operator may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

The election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign his right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which his interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event any Gas Owner or Claimant named in Exhibit B hereto has not reached a voluntary agreement with the Unit Operator and fails to elect within the time, in the manner, and in accordance with the terms of this Order one of the alternatives set forth in Paragraph 9 above for which his interest qualifies, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to any final legal determination of ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which its interest qualifies, and shall be deemed to have leased and/or assigned his right, interests, and claims in and to said Gas produced from Subject Formation in Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full

for the right, interests, and claims of such person in and to the Gas produced from Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event a person named in Exhibit B elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Estimated, Completed-for-Production costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any 1/8th royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person named in Exhibit B is unable to reach a voluntary agreement to share in the operation of the well contemplated by this Order at a rate of payment agreed to mutually by said Gas Owner or Claimant and the Operator, and said person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the well in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto Unit Operator such person's right, interests, and claims in and to said well, in Subject Formations in Subject Drilling Unit, and other share in and to Gas production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said elections.

13. Unit Operator (or Operator): Equitable Resources Exploration be and hereby is designated as Unit Operator authorized to drill and operate Well No. VC-3561 in Subject Formations in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code Ann. §§ 45.1-361.27 et seq.; §§ 480-05-22.1 et seq., Gas and Oil Regulations; §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations; and the Virginia Oil and Gas Conservation Board Order entered March 20, 1989, establishing drilling units for the Nora Coal Bed Gas Field; all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

Equitable Resources Energy Company
Eastern Region
P. O. Box 1983
1989 East Stone Drive
Kingsport, TN 37662-1983
Phone: (423) 224-3800
Fax: (423) 224-3891
Attn: Dennis R. Baker, Regulatory

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of any well covered hereby within three hundred and sixty-five (365) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which any well covered by

this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the Petition for Appeal and the final Order of the Circuit Court shall be excluded in calculating the one year period referenced herein.

Upon completion of any well whose costs comprise part of the Estimated Completed-for-Production Costs set forth in Paragraph 9.1, and within ninety (90) days after production into the pipeline is obtained and restoration of the location is completed, the Operator shall file with the Board a revised exhibit reflecting the actual Completed-for-Production Costs for the Subject Drilling Unit.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are a charge against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

16.1 Escrow Account: By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account, (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank
Trust Department
c/o Premier Bankshares Corporation
29 College Drive, P. O. Box 1199
Bluefield, VA 24605-1199
Telephone: (540) 322-2242
Fax: (540) 322-2766

16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and shall, pursuant to Va. Code Ann. § 45.1-361.21.D, said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with Va. Code Ann. § 45.1-361.21.D.

16.2. Escrow Provisions for Conflicting Claimants: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Va. Code Ann. §§ 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account, commencing

within sixty (60) days of the recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of each month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.

17. Special Findings: The Board specifically and specially finds:

- 17.1 Applicant is a division of Equitable Resources Energy Company, a West Virginia corporation, duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2 Applicant claims ownership of oil and gas and coalbed methane gas leasehold estates representing 92.00 percent of the Gas estate, and 92.00 percent of the coal estate for the acreage underlying the Subject Drilling Unit.
- 17.3 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.4 Applicant has proposed the drilling of one (1) well, Well No. VC-3561, to a depth of 1,880 feet on the Subject Drilling Unit to develop the Gas in Subject Formations.
- 17.5 Respondents are listed on Exhibit "B". Set forth in Exhibit B is the name and last known address of each person identified by the Applicant as having or claiming an interest in the Coalbed Methane Gas in the Subject Drilling Unit underlying and comprised of Subject Lands, including those Gas Owners or Claimants who have not in writing, leased to the Applicant or agreed to voluntarily pool their Gas interest in Subject Drilling Unit for its development. The Gas Owners or Claimants who have not reached a voluntary agreement to share in the operation of the well represent 8.00 percent of the Gas estate and 8.00 percent of the coal estate in Subject Drilling Unit.
- 17.6 The estimated production over the life of the proposed well is 450 million cubic feet.
- 17.7 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in paragraph 9 above.
- 17.8 No Application for a Well Work Permit had been received by the Department of Mines, Minerals and Energy for Well VC-3561 at the time of the hearing of the application herein.
- 17.9 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person in the Subject Drilling Unit the opportunity to recover or receive, without unnecessary expense, each person's just and fair share of the production of the Gas from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of Gas, prevent or assist in preventing the various types of waste prohibited by statute, and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.

18. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

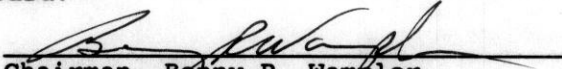
19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

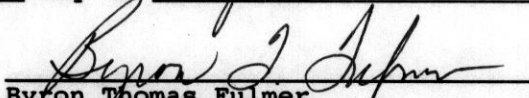
21. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq.

22. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 15th day of April, 1996, by a majority of the Virginia Gas and Oil Board.


Chairman, Benny R. Wampler

DONE AND PERFORMED this 15th day of April, 1996, by Order of this Board.


Byron Thomas Fulmer
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 15th day of April, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/98

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 15th day of April, 1996,
personally before me a notary public in and for the Commonwealth of Virginia,
appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is
Principal Executive to the Staff of the Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.

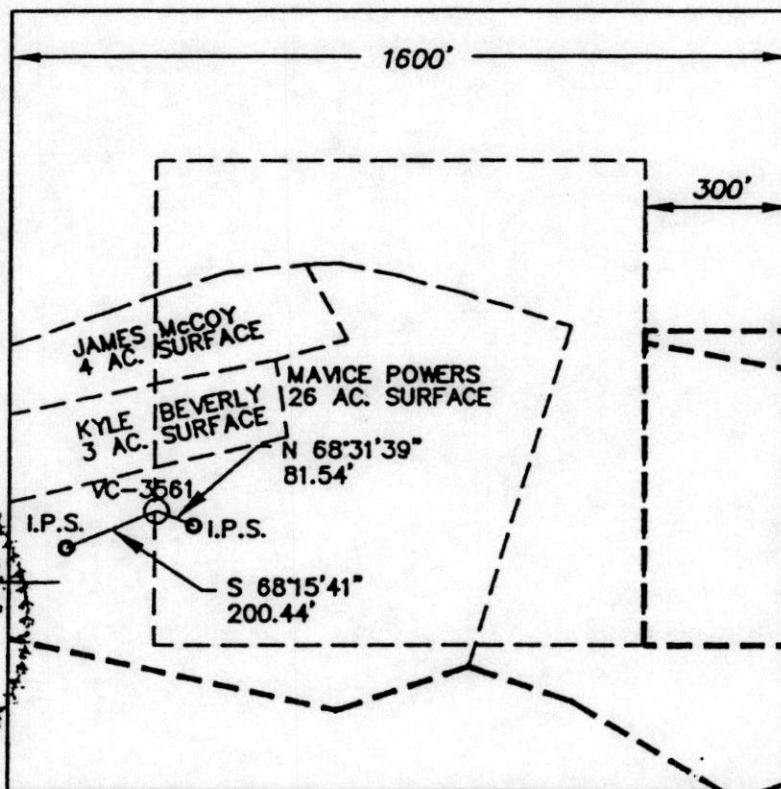
Diane J. Davis
Diane J. Davis
Notary Public

My commission expires 9/30/97

Longitude 82°17'30"

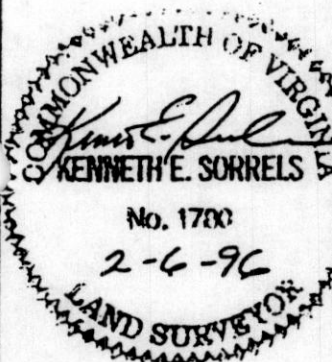
NOTE:
SURFACE LINE INFORMATION PROVIDED
BY EQUITABLE RESOURCES EXPLORATION

Tract #1



Tract #4
NORA COUNTS
SURFACE, COAL, OIL, & GAS
UNLEASED
1.26 ACRES
CBM 0.37 ACRES 1%

Tract #3
TERRY BALL &
VIOLA M. WRIGHT
SURFACE, COAL, OIL, & GAS
UNLEASED
8.74 ACRES
CBM 4.07 ACRES 7%



EREX LEASE PO-314
REBA COUNTS, ETAL
SURFACE, COAL, OIL, & GAS
163.00 ACRES
CBM 6.80 ACRES 11%

Tract #2

— — — NON-SURVEYED SURFACE LINE
— — — NON-SURVEYED MINERAL LINE

Well elevation determined by trigonometric levels
from Well VC-3313

Area of Unit = 58.77 Ac.

WELL COORDINATES:
VA. ST. PLANE S. ZONE NAD 27
(CALCULATED FROM NAD 83 (1994)
BY ACE PROGRAM CORPSCON)
N 306,354.79 E 894,522.35.
Well Coordinates: (Clinchfield Coal Co.)
N 5039.92 E 26605.64

525-1800.137

WELL LOCATION PLAT

COMPANY: Equitable Resources Exploration WELL NAME AND NO: VC-3561
TRACT NO: T-261 ELEVATION: 1900.60 QUADRANGLE: NORA, VA
COUNTY: DICKENSON DISTRICT: ERVINTON SCALE: 1"=400' DATE: 1/31/96

This plat is a new plat ; an updated plat X; or a final location plat

+ Denotes the location of a well on United States Topographic Maps, Scale 1:24000, latitude and longitude lines being represented by border lines as shown.

~~Licensed Professional Engineer or Licensed Land Surveyor~~

EXHIBIT "B"
VC-3561
 Revised 2/26/96
VGOB 96/02/20-0534

BOOK 317 PAGE 063

| <u>TRACT</u> | <u>LESSOR</u> | <u>LEASE STATUS</u> | <u>INTEREST WITHIN UNIT</u> | <u>GROSS ACREAGE IN UNIT</u> |
|------------------------|---|--|-----------------------------|------------------------------|
| <u>Gas Estate Only</u> | | | | |
| 1 | Pine Mountain Oil & Gas Company Attn: Richard Brillhart P. O. Box 5100 Lebanon, VA 24266 | Leased - EREX 241490L (PO-148) T-261 | 81.000000% | 47.5300 |
| 2 | Reba Emily Counts, widow 280 Fairway Drive Abingdon, VA 24210 | Leased - EREX 241577L01 | 5.500000% | 3.4000 |
| | Caroline Counts Sharpe 7933 Harper Road Hixon, TN 37343 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| | E. Martin Counts, Jr. 119 South Germantown Road Chantano, TN 37411 | Leased - EREX 241577L01 | 2.750000% | 1.7000 |
| 3 | Terry D. Ball and Lisa K. Ball, H/W P. O. Box 790 Haysi, VA 24256 | Unleased | 3.500000% | 2.0350 |
| | Viola Wright, widow Star Route Dante, VA 24237 | Unleased | 3.500000% | 2.0350 |
| 4 | Nora Counts, widow HC 67, Box 354 Dante, VA 24237 | Unleased Life Estate | 0.000000% | 0.0000 |
| | Susie Deel and Carter Deel, W/H HC 67, Box 354 Dante, VA 24237 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Retha Grizzle and Lee Grizzle, W/H Rt. 2, Box 559 Haysi, VA 24256 | Unleased Remainderman | 0.500000% | 0.1850 |
| | Percentage of Unit Leased | | 92.000000% | |
| | Percentage of Unit Unleased | | 8.000000% | |
| | Acreage in Unit Leased | | | 54.3300 |
| | Acreage in Unit Unleased | | | 4.4400 |